

DIRECTORS' REPORT

For the first quarter ended
March 31, 2023

The Directors are pleased to present the Directors' Report of State Life Insurance Corporation of Pakistan (Corporation) along with its Condensed interim financial statements (Un-audited) for the first quarter ended March 31, 2023.

1. FINANCIAL PERFORMANCE AND OPERATING RESULTS:

During the period under review, overall performance of the Corporation remained robust, showing positive growth compared to last year. An overview of the performance of State Life Insurance Corporation, for the period ended March 2023 compared with same period of last year is summarized below:

- 1.1** Total Income of the Corporation including unrealized fair value loss on financial assets of Rs. 4,118 million (last period: gain of Rs. 493 million) increased to Rs. 109,551 million in the first quarter of 2023 as against Rs. 92,293 million in the corresponding quarter-2022, registering an increase of 18.7 percent. If impact of fair value gain/(loss) is excluded; the reported period income would be Rs. 113,669 million (Last period: 91,799 million) i.e. 23.8 percent increase over the same period last year.
- 1.2** Acquisition expenses for March 2023 quarter were Rs. 3,502 million as compared to Rs. 3,139 million in the same quarter of last year, showing increase of 11.5 percent; Marketing and Administrative expenses were Rs. 3,400 million as compared to Rs. 2,561 million in the preceding period showing an increase of 32.8 percent. Overall management expense ratio to gross premium income for the March quarter 2023 was 11.0 percent as against 9.4 percent in the corresponding period last year.
- 1.3** Insurance benefits paid to policyholders in the first quarter of 2023 were Rs. 51,688 million as against Rs. 28,937 million last period; registering an increase of 78.6 percent.
- 1.4** Statutory funds as at March 2023 was Rs. 1,479,817 million as against Rs. 1,324,952 million in the last period, showing an increase of 11.7 percent.
- 1.5** The basic and diluted Earnings Per Share (EPS) for the quarter ended March 31, 2023 was Rs. 69.79 as compare to Rs. 44.34, showing an increase of 57.4 percent.

2. BUSINESS PORTFOLIO WISE PERFORMANCE:

2.1 INDIVIDUAL LIFE BUSINESS:

First year gross premium income under Individual Life policies during quarter ended March 2023 was Rs. 2,935 million as compared to Rs. 2,477 million in the corresponding period, showing increase of 18.5 percent. Gross renewal premium was Rs. 24,616 million in the first quarter 2023 in comparison with Rs. 21,457 million in the corresponding period, showing an increase of 14.7 percent.

2.2 GROUP LIFE BUSINESS:

Gross premium under Group Life policies net of experience refund during the first quarter of 2023 was Rs. 2,421 million as compared to Rs. 2,489 million in the same quarter last year, showing decrease of 2.7 percent.

2.3 TAKAFUL BUSINESS:

Premium under Takaful business during the first quarter of 2023 was Rs. 52 million as compared to Rs. 36 million in the same period last year showing an increase of 41.6 percent.

2.4 HEALTH INSURANCE BUSINESS:

Gross premium under Health Insurance policies net of experience refund during the first quarter 2023 was Rs. 32,777 million as compared to Rs. 34,077 million in the corresponding period of 2022, showing decrease of 3.8 percent. The decrease is attributed to increase in experience refund.

2.5 INVESTMENT:

Net investment income increased to Rs. 46,995 million during the first quarter of 2023 as compared to income of Rs. 31,990 million in the corresponding period of 2022 registering an increase of 46.9 percent. This includes unrealized fair value loss on financial assets of Rs. 4,118 million in 2023 (2022: gain of Rs. 493 million). If unrealized fair value gain / (loss) impact is excluded from both periods, net investment income of 2023 quarter would be Rs. 51,113 million as against Rs. 31,497 million which is 62.3 percent increase over last period.

2.6 REAL ESTATE:

Breakup of rental income and expenses are stated hereunder:

	First Quarter March 2023 – Rs. In million		
	<u>2023</u>	<u>2022</u>	<u>% Inc. / (Dec.)</u>
Rental Income	558	385	45
Expenses	162	173	(6)
Net	396	212	87

2.7 INSURER FINANCIAL STRENGTH RATING:

State Life is the only Insurer in the Pakistan's insurance industry that is continuously maintaining 'AAA' rating by Pakistan Credit Rating Agency (PACRA). The 'AAA' rating represents SLIC's exceptionally strong capacity to meet policyholders and contractual obligations.

3. OUTLOOK:

ECONOMIC OUTLOOK:

Pakistan's economy continues to face strong headwinds in the wake of last year's devastating floods, high inflationary environment, increase in interest rates by the State Bank, slowdown in economic activity, depreciation of Pakistani Rupee, etc. Performance of the Corporation remained strong during the period under review. However, if inflationary environment continues in coming months, we may see an increase in the surrender of policies. Management of the Corporation is closely monitoring the macroeconomic factors and is committed to protect the interest of its policyholders and shareholders.

DIGITIZATION:

Plans are underway to expand digital footprints to deliver hassle-free online digital services to policyholders. In this regard, digital apps have been launched facilitating policyholders in online premium payment. Corporation has also established a dedicated DR Site to cater IT logistics at health insurance offices, hospitals to provide real time and swift services to the beneficiaries of the social health Program. Corporation has also introduced e-claim payments system. Plans for empowering agent network with digital tools and digitization of policy documents are also underway.

TAKAFUL:

Corporation has entered into Bancatakaful agreements with prominent banks including UBL, Bank Al-falah, Dubai Islamic Bank and Bank of Punjab.

HEALTH INSURANCE:

Corporation is managing mega social health programs covering more than 170 million population across the country. Under the programs; the entire population of KP, Punjab, GB, FATA, Tharparker (Sindh) are being provided with impatient cashless hospitalization services. Plans are underway to start a scheme to cover 100% population of Balochistan. Besides managing social health programs, Corporation has developed various corporate & individual health insurance products like Sehat Salamat, Sehat Zindagi, Sahara Family, Sinf-e-Aahan, Haari Plan etc.

GROUP AND PENSION:

For enhancement of group business, Corporation is introducing new plans like term insurance for government employees of KP, financial assistance and retirement benefits scheme for employees of Sindh Government, travel insurance, re-launching of group insurance (with enhanced features) for bread earners of families registered under BISP. Besides, various options have also been explored and offered to Bureau of Emigration for group life insurance of emigrants moving abroad on job visa.

BANCASSURANCE:

The outreach of Corporation's Banca business, with the assistance of partner banks; is making its mark in banking industry. Also, non-partner banks are approaching Corporation with an aim to optimizing insurance cover for their clients. Recently, Corporation has joined hands with Bank of Punjab for expanding foot prints in Banca business.

4. PROFIT AND LOSS ACCOUNT:

Profit after tax (PAT) attributable to Shareholders for the period under review was Rs. 4,326.712 million (last period: 2,172.666 million) in which Rs. 3,366.908 million (preceding period: 1,453.528 million) has been transferred to Ledger Account "D" (Solvency reserve), on the advice of Appointed Actuary. No interim dividend is declared.

5. ACKNOWLEDGEMENT:

We wish to thank our valued policyholders for continuing trust and confidence in our products and services. We are grateful to the SECP for their continued guidance and assistance. We extend our gratitude to Ministry of Finance, Ministry of Commerce, State Bank of Pakistan, our reinsurers and business partners for their support.

Finally, we wish to thank our employees and sales force whose dedication and commitment has been a source of strength for the organization.

We are pleased to place on record the deep appreciation on behalf of the Board of Directors for the efforts made by all the tiers of the field force and devotion to duty of the staff and officers for the overall performance of the Corporation.

On behalf of the Board of Directors



Chairman / Director

Karachi,

Dated: 29 MAY 2023